

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2023 and 2022

Note 9 - Optional Retirement Plan

In January 1997, the College began providing a defined contribution retirement plan for qualified employees. Full-time faculty, administrators, and other exempt-status employees can elect certain investment choices offered within the Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) plan portfolio. The TIAA-CREF plan is a defined contribution retirement plan whereby benefits vest immediately. The College contributes a specified percentage of employee wages and has no liability beyond its own contribution. For the years ended June 30, 2023 and 2022, that contribution rate was determined to be 11.50 percent. This resulted in the College contributing approximately \$2,032,000 and \$1,976,000 to the retirement plan for 2023 and 2022, respectively.

Note 10 - Risk Management

The College is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The College participates in the Michigan Community College Risk Management Authority (the "Authority") risk pool for claims relating to auto, property, and liability; the College was self-insured for medical benefits provided to employees.

The Michigan Community College Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, which the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the College. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Beginning January 1, 2021, the College began participating in the West Michigan Health Insurance Pool (the "Pool"). As a member of the Pool, the College is fully insured for medical claims.

Note 11 - Federal Direct Lending Program

The College distributed \$7,157,424 and \$7,061,461 for student loans through the U.S. Department of Education federal direct lending program for the years ended June 30, 2023 and 2022, respectively. These distributions and related funding source are not included as expenses or revenue in the accompanying financial statements.

Note 12 - Long-term Obligations

The College's long-term liability activity for the year ended June 30, 2023 is as follows:

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2023</u>	<u>Current Portion</u>
2014 Bonds	\$ 5,867,988	\$ -	\$ (660,998)	\$ 5,206,990	\$ (680,999)
Lease liability	7,967,017	-	(7,840,103)	126,914	(39,781)
Subscription liability	1,373,933	674,540	(826,015)	1,222,458	(722,516)
Total	<u>\$ 15,208,938</u>	<u>\$ 674,540</u>	<u>\$ (9,327,116)</u>	<u>\$ 6,556,362</u>	<u>\$ (1,443,296)</u>

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2023 and 2022

Note 12 - Long-term Obligations (Continued)

The College's long-term liability activity for the year ended June 30, 2022 is as follows:

	July 1, 2021	Additions	Reductions	June 30, 2022	Current Portion
2014 Bonds	\$ 6,508,987	\$ -	\$ (640,999)	\$ 5,867,988	\$ (660,999)
Lease liability	7,769,272	199,616	(1,871)	7,967,017	(170,046)
Subscription liability	1,369,559	687,978	(683,604)	1,373,933	(652,449)
Total	<u>\$ 15,647,818</u>	<u>\$ 887,594</u>	<u>\$ (1,326,474)</u>	<u>\$ 15,208,938</u>	<u>\$ (1,483,494)</u>

The 2014 general obligation, limited-tax bonds were issued in December 2014, as authorized by the board of trustees for the construction of capital projects. Bond principal payments range from \$670,000 to \$800,000 and are due annually each May through maturity in fiscal year 2030. Interest payments are due semiannually through maturity at rates ranging from 2.50 percent to 3.25 percent. At June 30, 2023 and 2022, the unamortized bond premium outstanding amounts to \$76,990 and \$87,988, respectively.

As of June 30, 2023, bond maturities are as follows:

Years Ending June 30	Debt Obligations			
	Principal	Premium	Interest	Total
2024	\$ 670,000	\$ 10,999	\$ 156,363	\$ 837,362
2025	685,000	10,999	139,613	835,612
2026	715,000	10,999	119,062	845,061
2027	735,000	10,999	97,613	843,612
2028	750,000	10,999	75,562	836,561
2029-2030	1,575,000	21,995	77,188	1,674,183
Total	<u>\$ 5,130,000</u>	<u>\$ 76,990</u>	<u>\$ 665,401</u>	<u>\$ 5,872,391</u>

The College's future principal and interest payment requirements related to right to use assets for the lease liability at June 30, 2023 are as follows:

Years Ending June 30	Lease Liability		
	Principal	Interest	Total
2024	\$ 39,781	\$ 3,419	\$ 43,200
2025	41,094	2,106	43,200
2026	42,449	751	43,200
2027	3,590	10	3,600
Total	<u>\$ 126,914</u>	<u>\$ 6,286</u>	<u>\$ 133,200</u>

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Notes to Financial Statements June 30, 2023 and 2022

Note 12 - Long-term Obligations (Continued)

The College's future principal and interest payment requirements related to the right to use assets for the subscription liability at June 30, 2023 are as follows:

Years Ending June 30	Subscription Liability		
	Principal	Interest	Total
2024	\$ 722,516	\$ 14,223	\$ 736,739
2025	249,408	8,258	257,666
2026	167,004	4,081	171,085
2027	83,530	1,816	85,346
Total	<u>\$ 1,222,458</u>	<u>\$ 28,378</u>	<u>\$ 1,250,836</u>

The FSIC had a note payable to New Markets Investment 94, LLC (the Sub CDE) in the amount of \$7,720,000 as of June 30, 2016. The loan consisted of Tranche A for \$5,348,000 and Tranche B for \$2,372,000. The note was evidenced by a note document and an agreement and bore an interest rate of 1.2109 percent. The note was collateralized by the real property assets of the Project. Interest-only payments totaling \$23,371 commenced on March 10, 2016 and were due quarterly through and including December 10, 2022. On December 10, 2022, a residual repayment in the amount of \$20,000 was due. During the year ended June 30, 2023, the NMTC was unwound, and as part of the process, the note payable was forgiven in full.

Note 13 - Upcoming Pronouncements

In June 2022, the Governmental Accounting Standards Board issued GASB Statement No. 101, Compensated Absences, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the College's financial statements for the year ending June 30, 2025.